

109TH CONGRESS  
2D SESSION

# S. 2646

To create a 3-year pilot program that makes small, nonprofit child care businesses eligible for loans under title V of the Small Business Investment Act of 1958.

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## IN THE SENATE OF THE UNITED STATES

APRIL 25, 2006

Mr. KERRY introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

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## A BILL

To create a 3-year pilot program that makes small, nonprofit child care businesses eligible for loans under title V of the Small Business Investment Act of 1958.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; DEFINITIONS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Child Care Lending Pilot Act of 2006”.

6 (b) DEFINITIONS.—In this Act—

7 (1) the terms “Administration” and “Adminis-  
8 trator” mean the Small Business Administration  
9 and the Administrator thereof, respectively; and

1           (2) the term “small business concern” has the  
 2           meaning given the term in section 3 of the Small  
 3           Business Act (15 U.S.C. 632).

4 **SEC. 2. CHILD CARE LENDING PILOT PROGRAM.**

5           Section 502 of the Small Business Investment Act  
 6 of 1958 (15 U.S.C. 696) is amended—

7           (1) in the matter preceding paragraph (1)—

8                   (A) by striking “The Administration” and  
 9                   inserting the following:

10           “(a) AUTHORIZATION.—The Administration”;

11                   (B) by striking “and such loans” and in-  
 12                   serting “. Such loans”;

13                   (C) by striking “: *Provided, however,* That  
 14                   the foregoing powers shall be subject to the fol-  
 15                   lowing restrictions and limitations:” and insert-  
 16                   ing a period; and

17                   (D) by adding at the end the following:

18           “(b) RESTRICTIONS AND LIMITATIONS.—The author-  
 19           ity under subsection (a) shall be subject to the following  
 20           restrictions and limitations:”; and

21           (2) in paragraph (1)—

22                   (A) by inserting after “USE OF PRO-  
 23                   CEEDS.—” the following:

24                   “(A) IN GENERAL.—;” and

25                   (B) by adding at the end the following:

1                   “(B) LOANS TO SMALL, NONPROFIT CHILD  
2 CARE BUSINESSES.—

3                   “(i) IN GENERAL.—Notwithstanding  
4 subsection (a)(1), the proceeds of any loan  
5 described in subsection (a) may be used by  
6 the certified development company to as-  
7 sist a small, nonprofit child care business,  
8 if—

9                   “(I) the loan is used for a sound  
10 business purpose that has been ap-  
11 proved by the Administration;

12                   “(II) each such business meets  
13 all of the same eligibility requirements  
14 applicable to for-profit businesses  
15 under this title, except for status as a  
16 for-profit business;

17                   “(III) 1 or more individuals has  
18 personally guaranteed the loan;

19                   “(IV) each such business has  
20 clear and singular title to the collat-  
21 eral for the loan; and

22                   “(V) each such business has suf-  
23 ficient cash flow from its operations to  
24 meet its obligations on the loan and

1 its normal and reasonable operating  
2 expenses.

3 “(ii) LIMITATION ON VOLUME.—Not  
4 more than 7 percent of the total number of  
5 loans guaranteed in any fiscal year under  
6 this title may be awarded under this sub-  
7 paragraph.

8 “(iii) DEFINED TERM.—For purposes  
9 of this subparagraph, the term ‘small, non-  
10 profit child care business’ means an estab-  
11 lishment that—

12 “(I) is organized in accordance  
13 with section 501(c)(3) of the Internal  
14 Revenue Code of 1986;

15 “(II) is primarily engaged in pro-  
16 viding child care for infants, toddlers,  
17 pre-school, or pre-kindergarten chil-  
18 dren (or any combination thereof),  
19 and may provide care for older chil-  
20 dren when they are not in school, and  
21 may offer pre-kindergarten edu-  
22 cational programs;

23 “(III) including its affiliates, has  
24 tangible net worth that does not ex-  
25 ceed \$7,000,000, and has average net

income (excluding any carryover losses) for the 2 completed fiscal years preceding the application that does not exceed \$2,500,000; and

“(IV) is licensed as a child care provider by the State, the insular area, or the District of Columbia in which it is located.

“(iv) SUNSET PROVISION.—This subparagraph shall remain in effect until September 30, 2009, and shall apply to all loans authorized under this subparagraph that are applied for, approved, or disbursed during the period beginning on the date of enactment of this subparagraph and ending on September 30, 2009.”.

### **SEC. 3. REPORTS.**

(a) SMALL BUSINESS ADMINISTRATION.—

(1) IN GENERAL.—Not later than 6 months after the date of enactment of this Act, and every 6 months thereafter until September 30, 2009, the Administrator shall submit a report on the implementation of the program under section 502(b)(1)(B) of the Small Business Investment Act of 1958, as added by this Act, to—

1 (A) the Committee on Small Business and  
 2 Entrepreneurship of the Senate; and

3 (B) the Committee on Small Business of  
 4 the House of Representatives.

5 (2) CONTENTS.—Each report under paragraph  
 6 (1) shall contain—

7 (A) the date on which the program is im-  
 8 plemented;

9 (B) the date on which the rules are issued  
 10 under section 4; and

11 (C) the number and dollar amount of loans  
 12 under the program applied for, approved, and  
 13 disbursed during the previous 6 months—

14 (i) with respect to nonprofit child care  
 15 businesses; and

16 (ii) with respect to for-profit child  
 17 care businesses.

18 (b) GOVERNMENT ACCOUNTABILITY OFFICE.—

19 (1) IN GENERAL.—Not later than March 31,  
 20 2009, the Comptroller General of the United States  
 21 shall submit a report on the child care small busi-  
 22 ness loans authorized by section 502(b)(1)(B) of the  
 23 Small Business Investment Act of 1958, as added by  
 24 this Act, to—

1 (A) the Committee on Small Business and  
 2 Entrepreneurship of the Senate; and

3 (B) the Committee on Small Business of  
 4 the House of Representatives.

5 (2) CONTENTS.—The report under paragraph  
 6 (1) shall contain information gathered during the  
 7 first 2 years of the loan program, including—

8 (A) an evaluation of the timeliness of the  
 9 implementation of the loan program;

10 (B) a description of the effectiveness and  
 11 ease with which certified development compa-  
 12 nies, lenders, and small business concerns have  
 13 participated in the loan program;

14 (C) a description and assessment of how  
 15 the loan program was marketed;

16 (D) by location (State, insular area, and  
 17 the District of Columbia) and in total, the num-  
 18 ber of child care small businesses, categorized  
 19 by status as a for-profit or nonprofit business,  
 20 that—

21 (i) applied for a loan under the pro-  
 22 gram (and whether it was a new or ex-  
 23 panding child care provider);

24 (ii) were approved for a loan under  
 25 the program; and

1 (iii) received a loan disbursement  
2 under the program (and whether they are  
3 a new or expanding child care provider);  
4 and

5 (E) with respect to businesses described  
6 under subparagraph (D)(iii)—

7 (i) the number of such businesses in  
8 each State, insular area, and the District  
9 of Columbia, as of the year of enactment  
10 of this Act;

11 (ii) the total amount loaned to such  
12 businesses under the program;

13 (iii) the total number of loans to such  
14 businesses under the program;

15 (iv) the average loan amount and  
16 term;

17 (v) the currency rate, delinquencies,  
18 defaults, and losses of the loans;

19 (vi) the number and percent of chil-  
20 dren served who receive subsidized assist-  
21 ance; and

22 (vii) the number and percent of chil-  
23 dren served who are low income.

24 (3) ACCESS TO INFORMATION.—



1 (A) IN GENERAL.—The Administration  
2 shall collect and maintain such information as  
3 may be necessary to carry out this subsection  
4 from certified development centers and child  
5 care providers, and such centers and providers  
6 shall comply with a request for information  
7 from the Administration for that purpose.

8 (B) PROVISION OF INFORMATION TO GOV-  
9 ERNMENT ACCOUNTABILITY OFFICE.—The Ad-  
10 ministration shall provide information collected  
11 under this paragraph to the Comptroller Gen-  
12 eral of the United States for purposes of the re-  
13 port required by this subsection.

14 **SEC. 4. RULEMAKING AUTHORITY.**

15 Not later than 120 days after the date of enactment  
16 of this Act, the Administrator shall issue final rules to  
17 carry out the loan program authorized by section  
18 502(b)(1)(B) of the Small Business Investment Act of  
19 1958, as added by this Act.

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